



Press Release

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Current rates of decarbonisation pointing to 6°C of warming

London, 5 Nov 2012 -- The annual rate of reduction of carbon emissions per unit of GDP needed to limit global warming to 2°C, has passed a critical threshold according to new analysis from PwC. The rate of reduction now required has never been achieved before.

The analysis in the [PwC Low Carbon Economy Index](#), measuring developed and emerging economies progress towards reducing emissions linked to economic output. It demonstrates that at current rates of emissions growth at least 6°C degrees of warming could be possible by the end of the century.

The report shows that while the increase in emissions intensity in 2010 has been reversed, with only a 0.7% reduction globally in 2011, it's a fraction what is required against the international commitment to limit global warming to 2°C. To limit global warming to 2°C would now mean reducing global carbon intensity by an average of 5.1% a year – a performance never achieved since 1950, when these records began.

The report warns that “governments and businesses can no longer assume that a 2°C warming world is the default scenario.” It adds that any investments in long term assets or infrastructure, particularly in coastal or low-lying regions need to address far more pessimistic scenarios.

With less than four weeks to the UN Climate Summit in Doha, the analysis illustrates the scale of the challenge facing negotiations. The issue is further complicated by a slow market recovery in developed nations, but sustained growth in E7 economies which could lock economic growth into high carbon assets.

Emerging markets' previous trends on carbon emissions reductions linked to growth and productivity have stalled, and their total emissions grew by 7.4%. By contrast, the UK, France and Germany achieved record levels of annual carbon emissions intensity reductions, but were helped on by milder winters.

Jonathan Grant, director, sustainability and climate change, PwC said:

“The risk to business is that it faces more unpredictable and extreme weather, and disruptions to market and supply chains. Resilience will become a watch word in the boardroom - to policy responses as well as to the climate. More radical and disruptive policy reactions in the medium term could lead to high carbon assets being stranded.

“The new reality is a much more challenging future in terms of planning, financing and predictability. Even doubling our current annual rates of decarbonisation globally every year to 2050, would still lead to 6°C, making governments' ambitions to limit warming to 2°C appear highly unrealistic.”



The pace of reducing global carbon intensity has been slow despite growing international focus on climate change. The financial crisis has dampened progress further, with carbon intensity falling less than 1% in the four years since it began.

Leo Johnson, partner, PwC said:

“While we’ve reversed the increase in emissions intensity reported last year, we’re still seeing results that are simply too little too late. We’ve now got to achieve, for the next 39 years running, a target we’ve never achieved before.”

“This isn’t about shock tactics, it’s simple maths. We’re heading into uncharted territory for the scale of transformation and technical innovations required. Whatever the scenario, or the response, business as usual is not an option.”

Jonathan Grant, director, sustainability and climate change, PwC said:

“The challenge now is to implement gigatonne scale reductions across the economy, in power generation, energy efficiency, transport and industry, as well as REDD+ in forested nations.”

Examining the role of shale gas, PwC’s report suggests that at current rates of consumption, replacing 10% of global oil and coal consumption with gas could deliver emissions savings of around 3% a year (1gt CO₂e per annum). However the report warns that while it may “buy some time”, it reduces the incentive for investment in lower carbon technologies such as nuclear and renewables, and could lock in emerging economies with high energy demand to a dependence on fossil fuels.

Notes

1. Carbon intensity is our preferred metric for analysing countries’ movements towards a low carbon economy, as it accounts for expected economic growth, and can generate comparable targets.
2. The carbon intensity of an economy is the emissions per unit of GDP and is affected by a country’s fuel mix, energy efficiency and the proportion of industrial versus service sectors.
3. Despite achieving its highest levels of carbon intensity reduction annually, the UK still needs to reduce carbon emissions intensity 5.2% per year. Staying within the UK’s pledge of 34% reduction on 1990 emissions levels would require action on the scale of equivalent of shutting down all the UK’s coal – fired power plants.
4. PwC helps organisations and individuals create the value they’re looking for. We’re a network of firms in 158 countries with more than 180,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

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